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ANNUAL REPORT
1991-92

OIL AND GAS
ENVIRONMENTAL FUND

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for the fiscal year ending
March 31, 1992

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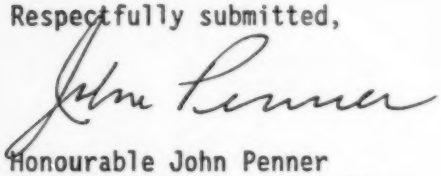
Letters of Transmittal

The Honourable Sylvia O. Fedoruk
Lieutenant-Governor
Province of Saskatchewan

Dear Madam:

I have the honour to submit herewith the Annual Report and Financial Statements of the Oil and Gas Environmental Fund for the fiscal year ending March 31, 1992.

Respectfully submitted,



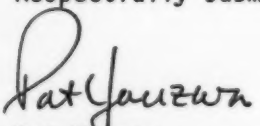
Honourable John Penner
Minister of Energy and Mines

The Honourable John Penner
Minister of Energy and Mines
Province of Saskatchewan

Dear Sir:

I have the honour to submit herewith the Annual Report and Financial Statements of the Oil and Gas Environmental Fund for the fiscal year ending March 31, 1992.

Respectfully submitted,



Pat Youzwa
Deputy Minister
Saskatchewan Energy and Mines

INTRODUCTION

The Oil and Gas Environmental Fund was established by the provincial government in 1989 to replace an out-dated well deposit system and to provide the government with a means to address unique oil and gas related environmental problems.

The legislative authority for the fund and the specific provisions of the fund are found in The Oil and Gas Conservation Act and the regulations thereunder.

The fund is administered by the Department of Energy and Mines.

PROGRAM PURPOSE

The fund guarantees the proper drilling, completion and abandonment of wells, including surface restoration. The fund also allows the government to respond to a major spill or environmental problem when liability for the problem cannot initially be determined.

The following amounts are designated for deposit to the fund:

- a one time assessment of $100 per well in existence as of May 1989 to a maximum of $20,000 per company;
- all deposits, held pursuant to the old well deposit system, which were not claimed within one year following the date of introduction of the Oil and Gas Environmental Fund;
- all interest and dividends received on loans and investments of the fund;
- all gains on disposal of securities in which any part of the fund has been invested;
- moneys recovered from a company for any moneys expended for any work or activity the company would be responsible to perform and moneys recovered from the disposal of any equipment or material left by the company at the well site;
- where the moneys on deposit are insufficient, $100 of each well licence application fee may be directed to the environmental fund.

When all other remedies have been exhausted or an emergency exists, moneys may be expended from the fund for the following purposes:

- conducting or completing the abandonment and surface restoration of a well, structure test hole, oil shale core hole or related facility that has been left incomplete by the insolvency or disappearance of the owner or operator;

- containment, clean-up and surface restoration of a problem that is a major environmental problem that arises from oil or gas exploration, development, production or transportation operations.

The expenditure of moneys from the fund for any of the purposes described above does not relieve the owner or operator of the responsibility to maintain the well, well site, structure test hole, structure test hole site, oil shale core hole, oil shale core hole site or related facility in compliance with the Act and the regulations and orders made pursuant to the Act.

The minister may recover from the owner or operator, any moneys expended for any work or activity that the owner or operator would be responsible to perform. The minister may take possession and dispose of any equipment or material left by the owner or operator at the well, structure test hole or oil shale core hole.

PROGRAM ACTIVITIES

During the 1991-92 fiscal year, the fund had expenditures of $23,427. These costs represent all costs related to the well abandonment and surface restoration of the following wells:

Panex Gap	7-7-8-28-W3
Panex Fox Creek	6-15-7-30-W3
Saskoil Leader	9-15-20-25-W3
Relm Maryfield	14-11-11-30-W1
(No Name)	6-15-7-30-W3
Helico Red Earth	3-5-52-6-W2
Sooner Petroleums Ltd., Gill	6-8-7-10-W2

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the balance sheet of the Oil and Gas Environmental Fund as at March 31, 1992 and the statements of revenue, expenditure and fund balance and changes in cash resources for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

W.K. Strelioff

Regina, Saskatchewan
May 14, 1992

W. K. Strelioff, C.A.
Provincial Auditor

Statement 1

OIL AND GAS ENVIRONMENTAL FUND

BALANCE SHEET

As at March 31

ASSETS

	1992	1991
Current·		
Due from consolidated fund (Note 5)	$1,721,152	$1,592,721
Accrued interest receivable (Note 6)	31,043	43,292
Total Assets	$1,752,195	$1,636,013

FUND BALANCE

Fund balance (Statement 2) (Note 4)	$1,752,195	$1,636,013

(See accompanying notes)

OIL AND GAS ENVIRONMENTAL FUND

STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE

For The Year Ended March 31

	1992	1991
Revenue:		
Deposits forfeited to the Crown	$ ---	$ 166,083
Interest (Note 6)	139,409	182,845
Other income	200	420
Total Revenue	139,609	349,348
Expenditure:		
Well site restoration	23,427	48,277
Excess of revenue over expenditure	116,182	301,071
Fund balance, beginning of year	1,636,013	1,334,942
Fund balance, end of year (Statement 1)	$1,752,195	$1,636,013

(See accompanying notes)

OIL AND GAS ENVIRONMENTAL FUND

STATEMENT OF CHANGES IN CASH RESOURCES

For The Year Ended March 31

	1992	1991
Cash provided by (used in):		
Operating activities:		
Deposits forfeited to the Crown	$ ---	$ 165,348
Assessments received	---	186,900
Interest	151,658	219,470
Other income	200	420
Well site restoration costs paid	(23,427)	(48,277)
Net increase in amounts due from Consolidated Fund	128,431	523,861
Due from Consolidated Fund, beginning of year	1,592,721	1,068,860
Due from Consolidated Fund, end of year	$1,721,152	$1,592,721

(See accompanying notes)

OIL AND GAS ENVIRONMENTAL FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1992

1. Authority

The fund was established on May 17, 1989, pursuant to Section 18.4 of The Oil and Gas Conservation Act. The purpose of the fund is to provide a mechanism to adequately respond to environmental problems associated with the exploration, development, production and transportation of oil and gas.

2. Accounting Policies

(a) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

(b) Assessment Revenue

Assessment revenue consists of a one time assessment raised in accordance with subsection 18.3(2) of The Oil and Gas Conservation Regulations on wells which were not considered to be abandoned on May 16, 1989.

(c) Deposits Forfeited

Deposits forfeited consists of unclaimed drilling deposits held by the Minister of Energy and Mines on May 16, 1990, which became the property of Her Majesty in the right of Saskatchewan and were paid into the Oil and Gas Environmental Fund in accordance with subsection 16(4.2) of the regulations.

(d) Recoveries of Well Site Restoration Costs

Under section 18.5 of the regulations, the Minister of Energy and Mines may recover well site restoration costs incurred by the fund from the owners and/or operators of abandoned wells. These recoveries will be reflected as revenue of the year in which these costs are recovered.

3. Related Party Transactions

The fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Department of Energy and Mines.

4. Fund Balance

The fund balance represents assessments raised in accordance with subsection 18.3(2) of The Oil and Gas Conservation Regulations, deposits forfeited in accordance with subsection 16(4.2) of the regulations and accumulated interest income, reduced by well site restoration costs. The fund balance, together with any future recoveries of well site restoration costs and interest income, is available to provide for expenditures under section 18.4 of the regulations which relate to the:

(i) restoration of abandoned well sites, as a result of disappearance or insolvency of the well owner or operator.

(ii) containment or clean up of major environmental problems arising from oil and gas exploration, development, production or transportation operations.

However, if the Minister of Energy and Mines determines that the fund balance is insufficient to provide for above expenditures, $100 of each drilling licence application fee submitted to the Department of Energy and Mines will be paid into the fund in accordance with subsection 18.3(2) of the regulations.

5. **Due From Consolidated Fund**

The fund does not operate its own bank account. All receipts and disbursements flow through the Consolidated Fund Bank Account. The amount due from the Consolidated Fund at year end represents monies in the Consolidated Fund held on behalf of the fund.

6. **Interest**

Interest is paid, on a quarterly basis, to the fund on monies deposited in the Consolidated Fund bank account using the Government's thirty day borrowing rate.